



JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

copy

P. O. Box 911
BATON ROUGE, LOUISIANA 70821-0911
ISO41 342-5423
FAX: (504) 342-8622

August 30, 1993

Louisiana Health Service & Indemnity Company
d/b/a Blue Cross and Blue Shield of Louisiana
Attention: Mr. P.J. Mills, President
Bluebonnet Marketing Corporation
HMO Louisiana, Inc.
and their Officers and Directors
5525 Reitz Avenue
Baton Rouge, Louisiana 70809

HAND DELIVERY AND
BY CERTIFIED MAIL

Re: DIRECTIVE 114(A), AS AMENDED

Dear Ladies and Gentlemen:

Reference is made to the earlier directive to your company, Directive 114, copy attached, which is amended hereby. The following is directed:

- A. You are required to provide a report by September 15, 1993 outlining and documenting any and all steps taken to implement Directive 114;**
- B. You are required to comply with the Administrative Supervision Order of August 10, 1993;**
- C. You are required to submit weekly reports to the Commissioner as to your implementation of Directive 114 and your compliance with the Administrative Supervision Order;**
- D. You are required to provide a report as to the status of corrective action taken by you with respect to the following matters: discounting, Medicare carve-out, proxies, appointment/termination of agents, application to and approval by the National Blue Cross Blue Shield Association, internal audit controls, executive compensation;**

- E. You are required to report, on or before September 15, 1993, with respect to the practice of "rate-up" and "rate-off", Medicare supplement policies, the practice of discounting with respect to your ASO ("administrative services only" or third-party administrator), contracts, large group benefits, and individual policies;
- F. You are required to appoint a regulatory compliance officer by September 5, 1993;
- G. You are required to demonstrate, to the satisfaction of the Commissioner, the prior approval of the Commissioner as to all material changes in management;
- H. You are required to cease payment of any and all management fees to United HealthCorp, Inc.;
- I. You are required to cease payment of any and all interests and/or principal on the \$5 million debenture to Mississippi Blue Cross and Blue Shield; and
- J. You are required to make no payment to any attorney or law firm retained by you to provide criminal representation.

This Department appreciates your prompt compliance with this directive. Please have a complete report to me by September 15, 1993 on the status of your compliance herewith. It is anticipated that problems previously identified and contained in Directive 114 above will be corrected on or before September 30, 1993.

Thank you for your continued cooperation.

Very truly yours,

James H. "Jim" Brown
Commissioner of Insurance

BY:

Winston W. Riddick
Chief Deputy Commissioner

JHB/thm